# "Priorities of Government" Budget Approach
### For Developing the 2005-07 Budget

Presentation material for the Priorities of Government Question and Answer Sessions offered by the Office of Financial Management on February 27, March 1, March 2, and March 4, 2004.

# Today's Discussion

- How Priorities of Government (POG) helps budget development

- POG Framework

- POG Teams and Tasks

- POG Building Blocks

- Helping Teams Get Good Information

- Integrating POG with Budget Development

- Questions?


OFM's Priorities of Government web page has more POG-related information. http://www.ofm.wa.gov/budget/priorities.htm

## How POG Helps Budget Development

- Better understanding of what our government actually does
  - What's in the base? What results do we achieve today?
- Supplements the usual agency focus with a statewide perspective
- Provides an enterprise-wide, results-based prioritization
  - Free of some of the constraints that may be at odds with results
- If necessary, provide a means to put budget cuts in context
  - To show they are credible, reasonable choices
- An opportunity to engage agency experts in discussions of policy priorities and problem-solving around key result areas

Here are some of the key benefits of using the Priorities of Government (POG) approach as part of budget development.

## The POG Framework

- <u>The priorities of government</u> – In this case, 11 key results citizens expect.

- <u>Key indicators of success</u> – How do you know if you are making progress towards these high-level results?

- <u>Proven or promising strategies for achieving results</u> – What does our experience and research tell us about the factors most critical to success?

- <u>A preliminary dollar allocation for each result</u> – To encourage creativity, keep proposals grounded in financial reality, and force people to articulate priorities and choices

- <u>A results-based prioritization of activities</u> – Given the available resources, what are the most important activities to buy to achieve results?  Given the opportunity, what would you buy next?

The key elements that define the POG analysis framework.

A graphic view of the framework that POG offers decision makers. This is a very high-level view we included in our budget documents last time. But this concept works at any level of detail. You rank the activities by contribution to result—a line is drawn at the spending limit. Activities not purchased can be listed in order in which to buy back first.

-Helps keep focus on contribution results –gets out of agency silos.

-Makes performance information more relevant to budget choices.

-Facilitates thinking about trade-offs above and below the line and across the results areas. Does the budget make sense as a whole?

-Helps frame the questions, "Why does the line have to be drawn here? Can we make things above the line cost less? Are we sure we're buying things at the best price?"

## The Statewide Results

1.  Improve student achievement in elementary, middle and high schools
2.  Improve the quality and productivity of the workforce
3.  Improve the value of postsecondary learning
4.  Improve the health of Washington citizens
5.  Improve the security of Washington's vulnerable children and adults
6.  Improve the economic vitality of businesses and individuals
7.  Improve statewide mobility of people, goods, information and energy
8.  Improve the safety of people and property
9.  Improve the quality of Washington's natural resources
10. Improve cultural and recreational opportunities throughout the state
11. Improve the ability of state government to achieve its results efficiently and effectively

These are the 11 statewide result areas that will be used in developing the 2005-07 budget.
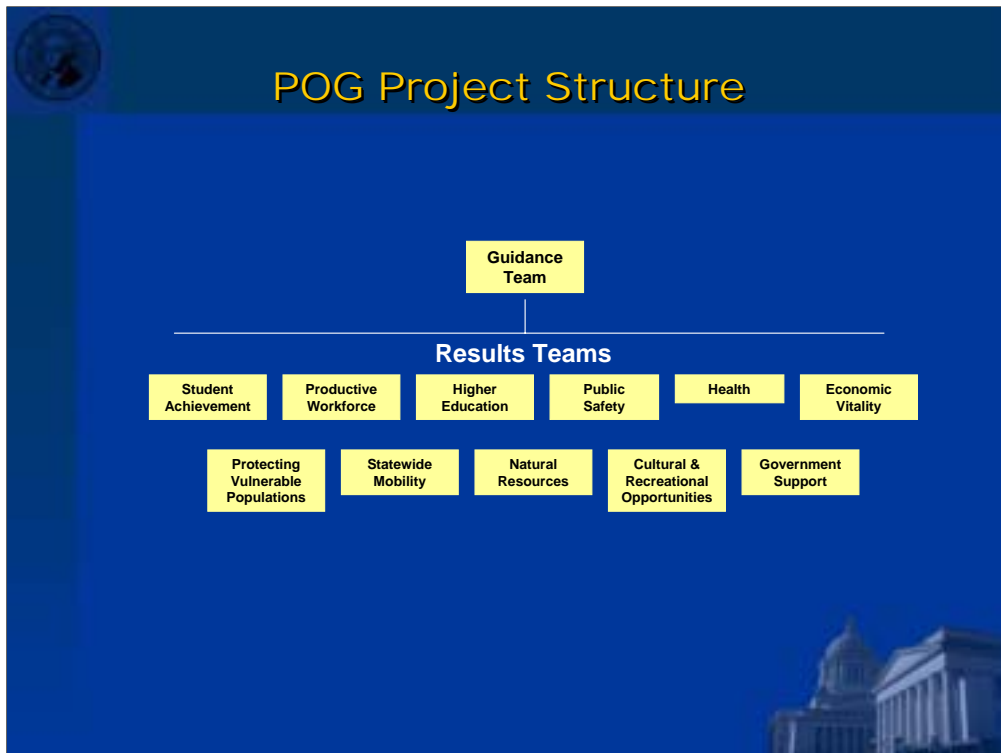
Guidance Team and Results Team are the core components of POG.

This year we're working on ways to get better input from agencies and citizens into the team deliberations.

# Guidance Team

- What is the Guidance Team?
  - About 10 state and local government, business, and non-profit executives
    - The group is not intended to be representative of interest groups or subject-matter expertise.
- What is its role?
  - Provide an executive perspective and develop recommendations on the statewide portfolio that will maximize results to the citizen
  - Bring an outside perspective to what is historically an "insiders' game"
  - Review, strengthen and affirm the work presented by the Results Teams
  - Determine the initial allocations among the result areas.

# Results Teams

- Six to eight subject-matter experts in the executive branch of government with knowledge and appreciation for implementation, but still able to wear the "citizen's hat" (as opposed to representing their agencies)

- OFM Budget or Policy staff serve as team leads

- One team for each statewide result

**Results Team Role**

- Confirm key indicators of success for the result

- Examine research on how to best achieve results

- Re-evaluate existing maps of the factors that influence or drive the result

- Learn more about the activities in each result area, and the factors that will affect the state's ability and capacity to achieve results

- Review performance progress and identify potential opportunities to improve outcomes or achieve them more efficiently

- Identify potential opportunities to reduce costs in priority activities

- Recommend high-level purchase strategies and other guidance for agencies to use in developing budget proposals

- Recommend prioritized activity purchase plans that maximize results to citizens

The last item, noted in yellow, will not be taken on by the teams until September.
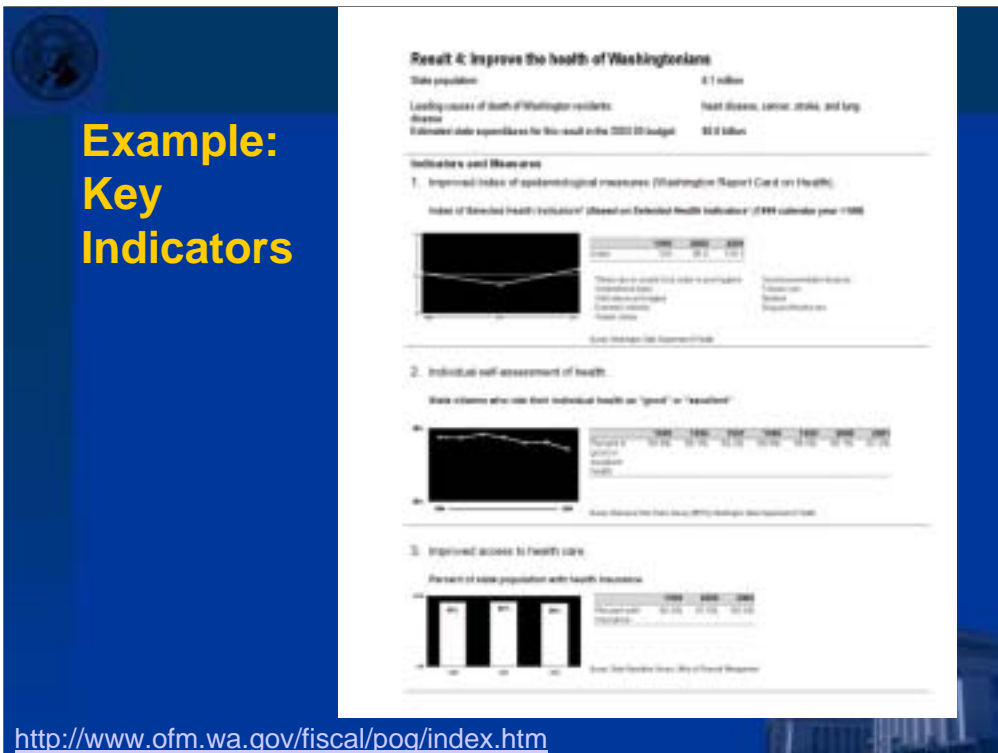
This is a sample of the key indicator information we now have posted on our Priorities of Government web page. The Improve the Health of Washington Citizens results team last time identified three key indicators of success.

•Epidemiological measures - What are rates of selected disease and health conditions?

•Individual self-assessments of health – Do people feel they are healthy?

•Improved access to health care - What percent of the population has health insurance?


These are meant to be high-level indicators of success of achieving the related result, not necessarily indicators of the success of state intervention. Last time we limited the teams to selecting three key measures, in part to enable teams to move on and tackle the remainder of their assignments. This year we'll likely allow teams to add indicators, but again will encourage them to spend a limited amount of time on this portion of their work.


Last year we translated the indicators selected by teams into measurable performance indicators. Where possible we have also collected trend information for each result. This information is available on OFM's POG web page.

Example: Strategy Map
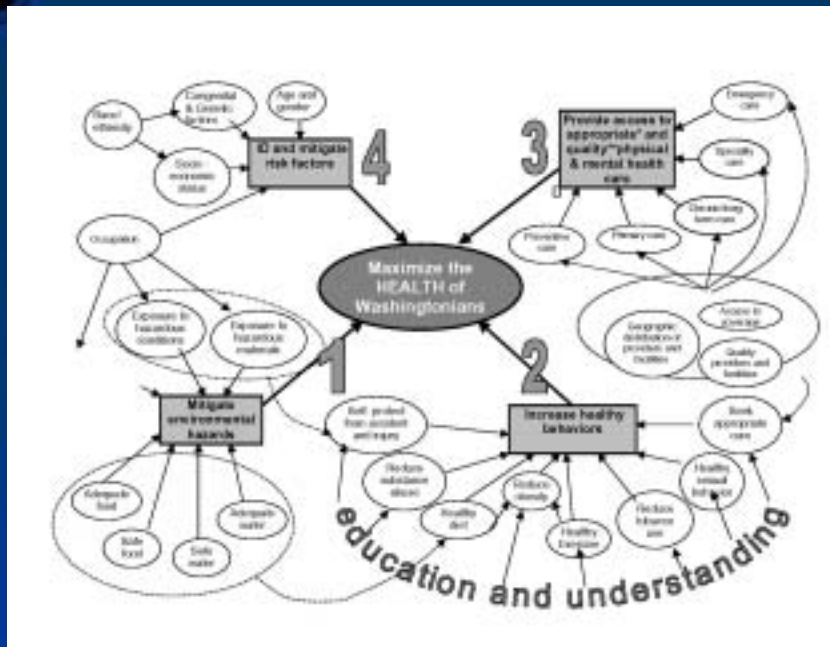
Here is an example of a "strategy" or "causal" map; this one was prepared by the Health team last time. Many teams found this exercise provided the breakthrough they needed to articulate purchase strategies. The teams were asked to build a picture that would show the factors that contribute to the result. You start with the result and ask, "Based on available data and research, what are the most important influences on this result?" For each item identified you ask the same question. With the use of arrows you show the linkages between all of these elements.

These maps served as a useful base for discussion on the relative importance of the different factors and the areas in which state and local government should play a role.

This year we will ask teams to review and update these strategy maps.

**Example: High Level Purchase Strategies**

- Strategy I – Increase Healthy Behaviors
  - Reduce tobacco usage
  - Promote healthy and safe sexual behaviors
  - Protect from injury and accidents
  - Promote healthy eating and exercise, and reduce obesity

Here is an example of some of the high-level purchase strategies selected by the Health Team. You can see the relationship of these strategies in the strategy map. This type of high-level framework guided their activity prioritization and trade-off recommendations.

## Some of the Likely Ground Rules

- Teams will receive an allocation – not as a final budget – but as a way to frame spending plans.

  – This year, allocations can take into account the actual current cost of state government by result.

  – Teams will know more about the dedicated and federal funds associated with their allocation, but will not be completely constrained by these fund source restrictions.

- The spending plans will need to meet the test of whether the activities being purchased represent the best strategies to achieve the highest priority results.

Some basic ground rules are critical to make POG work. Perhaps the most critical is the team spending allocation. A dollar limitation that constrains the team's deliberations is key to getting creative, yet realistic proposals. A total amount for allocation that fits within the range of revenue that could supported by the legislature, helps ensure that teams develop realistic proposals. An allocation that offers a budgetary challenge can spur the team to develop creative means to carry out the most effective strategies within available funds.

Teams will be given a dollar allocation that will serve as an upper limit to the cost of their recommended purchase plan. This is not the "budget" for this result area, simply a constraint given to teams to help the POG team exercise be successful.

This year the allocation will be more grounded in the actual current cost of state government by result and teams will have more information about the types of fund sources that are presumed in their allocation. However, our ground rules will most likely ask teams to not be constrained by fund source (or statutory) restrictions too soon in the process. A key benefit of the POG approach is to identify the list of activities you would fund if achieving results was the primary objective. This helps us highlight restrictions in place that get in the way of achieving the results citizens want and provides us the means to make a business case to remove them.

## Key Information: Activities as budget building blocks

- With incremental budgeting we learn a lot about the proposed increments, but the "base" work of government can remain largely a mystery.

- The Activity Inventory describes the current activities of government.

- Activity descriptions describe the discrete things an agency does—what they do, for whom, why, and what they expect to accomplish.
  - How would you describe it to your grandmother?
  - Can be an effective way to explain what government does.
  - Can be the "right" size for budget/policy discussions.

- The database enables us to sort activities into categories of our choosing—to look beyond the agency context.
  - Results areas, key strategies

The activity inventory, which allows the activities of government to be sorted by agency or result, is critical to the POG analysis. The activity inventory update of last year will be used as the foundation of the current biennium line for 2005-07 budget development in our budget systems.

## Activity vs. Program Descriptions

**Program Description Example**

- The **Air Program** manages air quality throughout the state. The program has primary responsibility in 18 of the state's 39 counties and oversight responsibility through local air pollution control authorities in the remaining 21 counties. The program has statewide authority for airborne emissions from chemical pulp mills, primary aluminum smelters, and motor vehicles.

**Activity Description Example**

- **Reduce Health and Environmental Threats from Smoke and Dust in Eastern Washington**—Regional smoke and dust pollution plagues many areas in central and eastern Washington, especially when source-specific air pollution problems are not resolved quickly and efficiently. In order to achieve satisfactory air quality levels in this area by 2010, the agency is developing a web-enabled agricultural burning permit system; auditing local burning permit programs to ensure effectiveness; establishing a land clearing burning permit program; improving the capacity, infrastructure and use of alternatives to outdoor burning, and reducing emissions from cereal grain stubble burning.

Here's an example of an old program description from the Dept. of Ecology. It describes what the program is responsible for, but sheds little light on what it actually does to carry out that responsibility.

Contrast this with this activity description—one of about 8-10 in the air program. It describes the problem and what specific things the agency intends to do to address it. One may or may not agree that government should perform this work, but at least you can have a conversation about it.

You can find the most current version of our activity inventory on our website.

# Other Key Inputs to Teams

- Research

- Agency performance measures

- Agency strategic plans

- Each team will have staff support charged with helping the team get access to the information and subject-matter experts it needs for its analysis

- We are exploring alternatives for obtaining citizen input

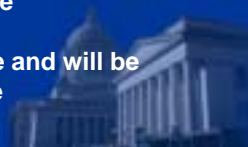# Integrating POG with other Budget Development Work

**April**
- **Part II Operating Budget Instructions published**
- **Activity Inventory updated to reflect the enacted 2004 Supplemental Budget**

**April - May**
- **Results Teams convene to:**
  - **Confirm key indicators of success**
  - **Re-evaluate existing maps of the factors that influence or drive the result**
  - **Review performance progress and identify potential opportunities to improve outcomes or achieve them more efficiently**
  - **Recommend high-level purchase strategies and other guidance**

**May 1**
- **Agencies strategic plans are due and will be distributed for Results Team use**

# Integrating POG with Other Budget Development Work

**End of May**
- OFM sends possible additional budget guidance to agencies, based on Results Team recommendations

**August–Sept. 3**
- Agencies submit budgets, activity descriptions, and performance estimates. OFM and the Governor's budget review begins.

**Mid-September – Early November**
- Results Teams convene to recommend prioritized purchase plans that maximize results to citizens.

**November – Early Dec.**
- Final budget decisions made for Governor Locke's budget

## Integrating POG with other Budget Development Work

- The Results Team recommendations in the spring may produce tailored budget instructions to agencies

- Agencies have a chance to respond to those recommendations with their budget proposals

- In the fall, Results Teams will have better activity information that is fully aligned with agency budget submittals

- The Results Teams will help provide an enterprise-wide, results-focused perspective of budget options

- This perspective will inform the final budget decisions

If you have questions about this material, please contact Lynne McGuire, Senior Budget Assistant for Operations at the Office of Financial Management at lynne.mcguire@ofm.wa.gov .